

Finance Update

Purpose of Report: To provide an update on the County Council's Revenue & Capital outturn expenditure for 2018/19.

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Revenue Expenditure 2018/19

A. Revenue Forecast Outturn Position 2018/19

1. The current forecast of the year end revenue position against the revenue budget of £418.081 million, based on actual expenditure at the end of October 2018 and forecasts made in November 2018 is a £2.216 million overspend (0.53% of the budget). This represents a £0.495 million improvement on the position previously reported to Cabinet.
2. Details of the forecast year end position, analysed by service area is provided in the table below and the narrative that follows.

Directorate Breakdown for Cabinet Report - Position as at the end of Oct 2018

Service Area	2018/19 Budget	Additional Budget from BRR Pilot	Revised 2018/19 Budget	Forecast Outturn Position	Forecast Outturn Variance	Variance	Forecast Variance Previously reported	Change in variance
	£000					%		
Adults	144,420	1,000	145,420	145,420	0	0.0%	0	0
Prevention & Wellbeing	33,953		33,953	33,857	-96	-0.3%	-40	-56
Children & Families	103,488	2,600	106,088	113,315	7,227	6.8%	6,321	906
Communities & Infrastructure	87,166	1,000	88,166	88,422	256	0.3%	701	-445
Business Support Services	28,776		28,776	28,926	150	0.5%	0	150
Support Services Recharges	-28,776		-28,776	-28,776	0	0.0%	0	0
Total for Services	369,027	4,600	373,627	381,164	7,537	2.0%	6,982	555
Unallocated BRR Pilot Money	0	0	0	0	0	0.0%	0	0
Technical & Corporate	44,454		44,454	39,133	-5,321	-12.0%	-4,271	-1,050
Total	413,481	4,600	418,081	420,297	2,216	0.53%	2,711	-495

Adult Social Care

- Adult Social Care is reporting a balanced position, using £1.722 million of the £2.530 million additional Adult Social Care Funding allocation announced by the Secretary of State for Health and Social Care on the 2nd October (the balance of £0.808 million has been agreed for joint or Gloucestershire CCG activity) and the uncommitted £0.800 million BRR funding. This will require an estimated drawing of £0.438 million from Adult Care Reserves at the year end.
- Adult Care reserves currently stand at £4.592 million and are therefore sufficient to cover the current forecast overspend.
- The £1.581 million Adult Social Care Support Grant is also presented as allocated in year, to offset the underlying overspend. This is temporary funding in 2018/19.

6. The MTFS savings targets for all client groups are integrated under the Adult Single Programme (ASP) and monitored through Weekly Governance meetings and the ASP Board. Savings targets are grouped into seven themed project clusters.
7. MTFS contracted inflation/ National Living Wage funding is assumed to be committed in full. This is still an assumption due to the number of outstanding decision that are needed and the financial impacts of these.
8. LD External Care is projecting a £1.967 million overspend. The overspend assumes the majority of 2018/19 savings targets will be found, although there are risks around a number of these. Banked savings to date total £2.443 million. The overspend relates to increased demand and increased complexity of some cases.
9. OP and PD External Care is projecting a £1.661 million overspend. The overspend assumes delivery of the majority of the 2018/19 savings targets. Savings of £5.308 million (originally £5.750 million) are included within the forecast, though there are risks of not achieving the reduced savings. £2.498 million has been banked to date. The overspend mainly relates to increased care needs and therefore costs for existing cases as well as voids within homes run by a major provider.
10. Mental Health is forecasting an overspend of £0.948 million, net of unallocated MTFS funding held by the Lead Commissioner. The overspend mainly relates to cases with increasing complexity and therefore higher unit costs.
11. The overall Community Equipment and Telecare position includes an underspend of £0.073 million within Telecare services. Community Equipment services are in balance, including in-year funding from the Disabled Facilities Grant.
12. Other Services comprise all staffing budgets for Adult Social Care, as well as a number of specific commissioned contracts. The forecasts for these services net to a £0.193 million underspend including;
 - £1.427 million significant overspends; LD in-house services (£0.378 million), LD Assessment, Support Planning and Management teams (£0.208 million), costs in excess of Integrated Better Care Fund (iBCF) allocations for the Hospital to Home services (£0.527 million) now covered from the Additional Social Care Funding, £0.170 million savings not achievable this year for the Periodic Payment Contract (PPC) which is the bed based care framework and unfunded contract costs for the Electronic Call Monitoring system (£0.144 million).

- £1.378 million significant service underspends; £0.575 million OP/PD Integrated Social Care Management (ISCM), largely due to vacancies, £0.236 million relating to the Contact Centre, due to additional budget received, leavers and vacancy slippage; £0.240 million unallocated government grant, £0.159 million uncommitted MTFS one-off Dementia funding and £0.168 million LD other commissioned services, relating to uncommitted Building Better Lives Development (BBLD) fund and employment service budgets.
- A number of smaller service variances (under £0.100 million) netting to a £0.244 million underspend.

13. Unallocated budgets are reported as underspent by £4.310 million.

- This variance includes £1.005 million surplus on permanent funding, mainly relating to £0.394 million uncommitted BCF funding and £0.366 million of ASC Levy held to support pressures emerging from the use of temporary funding (e.g. relating to the Additional Improved Better Care Fund). A further £0.245 million of unallocated Adults budget has also been identified.
- The balance of £3.305 million relates to temporary funding, £0.345 million uncommitted Adult Social Care Support Grant and £1.722 million Additional Social Care Funding, £0.800 million BRR and £0.438 million Adults Reserves, as noted above.

Prevention and Wellbeing

14. Services within this area include Public Health, Supporting People and a number of smaller budgets covering the prevention hub team and grants.
15. The current forecast of the year end revenue position is an under-spend of £0.1 million and is due to staff vacancies within the prevention hub team and low spend against the Healthwatch grant.
16. Public Health is reporting a balanced position. Services are funded by a ring-fenced grant, which if unspent is required to be carried forward in a specific reserve. The in-year forecast for Public Health is an under-spend of £0.43 million due to the delay in the development of a new service within healthy lifestyles and lower dispensing costs due to activity related to substance misuse prevention, smoking cessation and health checks. These variances offset the higher dispensing costs in sexual health and a cost pressure for a substance misuse drug treatment. The under-spend will be transferred to the Public Health reserve at year end.
17. Supporting People is reporting a breakeven position but this is based on the assumption that £0.17m of previous year MTC2 savings linked to Mental Health services will be covered by in-year savings.

Children & Families

18. The current forecast of the year end revenue position as at November 2018 for non-DSG funded services is an over-spend of £7.23 million (6.81% of budget). The gross over-spend is £9.83 million, which is reduced to £7.23 million by using the £2.6 million one-off income from the business rates retention pilot. The increase in the over-spend of £0.91 million is due to the cost of agency safeguarding staff covering vacancies and higher activity levels and section 17 and discretionary payments for foster carers.
19. At the end of October 2018 children in care numbers were 678 compared to 549 at the end of March 2016 and although nationally the trend is increasing (circa 3% p.a.) other factors will include the improvement in social work practice through catching up on drift and delay in casework. The number of children in care continues to cause significant pressures on children's services and in particular against the external placement and safeguarding staff budgets resulting in the over-spend.
20. As part of the 2018/19 budget, additional investment of £7.6 million was approved for external placements. This investment was based on a maximum number of 280 external placements with a unit cost of £61,600 per annum

using an 80:20 fostering to residential weighting. The current forecast over-spend against the external placement budget of £5.98 million (34.7% above budget) is due to a higher number of external placements than anticipated, within which the number of residential placements has increased in both absolute and proportionate terms. Many of the residential placements are required to meet the needs of highly complex children resulting in a current average unit cost of £86,700 per annum. There are currently 294 external placements, of which 69 are residential. The forecast has reduced this month by £0.25 million and includes contingencies of £2.4 million for new cases in-year to allow for additional placements to replace existing care commitments or allow for high number of placements.

21. In addition to this young peoples support are forecasting a £0.75 million over-spend due to a number of complex cases and the additional cost of agency staff covering vacancies. The in-house fostering service is also forecasting to over-spend by £0.2 million due to staffing costs.
22. The Director of Children's Service's is leading a review of all high cost placements on a regular basis as part of the wider improvement work on permanence planning. The aim is to reduce the cost of external placements where appropriate, given the higher unit costs outlined above, ensure decisions around placement change and permanence are executed in timely child centred manner, and ultimately bring down the forecast over-spend. It is estimated that these reviews will result in approximately £1 million of cost avoidance in 2018/19, which has been built into the forecast. Improving social care practice to divert children from care at an earlier point and achieve permanence at the earliest opportunity will reduce costs in the longer term. These high cost placement reviews have so far resulted in estimated cost avoidance of £0.77 million in the current financial year.
23. Safeguarding staffing budgets have received £4.01 million of investment in 2018/19 to reduce caseloads and improve practice within teams. Recruitment of social workers especially experienced staff continues to be a challenge. Agency staff have continued to cover staff vacancies or where caseloads remain high, resulting in a forecast overspend of £2.61 million. The increase in child protection cases has resulted in additional Child Protection chairs being employed on a temporarily basis resulting in a £0.48 million over-spend.
24. A higher level of activity is also causing an over-spend of £0.71 million in section 17 and discretionary payments for foster carers. New procedures have been put in place to review all significant payments and ensure consistency across teams. Additionally, a resource panel will be put in place to gate-keep significant section 17 expenditure.
25. Despite the investment made by the council, the issue of recruitment and retention of social workers has continued to be a challenge. To address this

the Chief Executive, supported by the Director of Children's Services and Support Services has made a delegated decision to make a number of changes to social work pay scales and allowances in year, making Gloucestershire more competitive with neighbouring authorities. One-off proposals for allowances and over recruitment of newly qualified social workers, estimated at £1.11 million for 2018/19 will be funded from IRIS and Vulnerable People's reserves. The continuation of these proposals beyond March 2019 will be picked up as part of the 2019/20 MTFS discussions. The release of the IRIS reserve is following the decision to review the project in light of the market sufficiency statement that is currently being developed. Some additional permanent changes to pay scales and additional posts have been made via a decision by the Director of Children's Services and are being funded through the budget held for agency staff since on the basis that this budget should see savings as permanent staff are recruited and retained; estimated cost of £0.38 million in year.

26. There are a couple of offsetting variances which include adoption, child arrangement and special guardianship orders which are forecast to under-spend by £0.23 million due to lower than expected number of allowances and orders being made. Also, services for children with disabilities are forecast to under-spend by £0.32 million due to lower costs in the residential unit and staff vacancies in the field work teams. In-year uncommitted contingencies of £0.26 million have been released to offset the on-going cost pressures in social care budgets.

Dedicated Schools Grant (DSG) position

27. Dedicated Schools Grant (DSG) funded services are forecast to be over-spent by £4.22 million in 2018/19. At the start of the year it was anticipated that balances carried forward from 2017/18 would be able to cover in-year demand pressures but the reported over-spend of £4.22 million exceeds the £2.3 million of uncommitted DSG balances brought forward resulting in a net over-spend of £1.92 million against the ring-fenced grant. As reported last year the cost pressures are in the High Needs Block with over-spends against Independent Special Schools (£1.15 million), special school places (£1 million), top ups for alternative provision services (£0.63 million) and mainstream primary schools (£1.2 million), all caused by increases to activity. The outturn report for 2017/18 identified an on-going cost pressure of £0.5 million in the High Needs Programme at the start of the year and balances are being used to fund this pressure.
28. The High Needs Programme is focussing on addressing this financial pressure. Whilst it was planned that balances brought forward should cover the pressure in year, this is no longer the case. Changes to funding arrangements are currently being discussed with the Schools Forum to bring the DSG back into balance. Any potential over-spend in future years which could not be

addressed through the DSG ring-fenced grant may result in a future financial risk to the Council. This reflects an emerging national picture, around which lobbying continues for additional funding and flexibility to move funding between DSG blocks.

Communities & Infrastructure

29. Communities and Infrastructure current forecast is a £0.256 million overspend (0.3% of the budget).
30. Highways Commissioning are reporting an underlying £0.290 million overspend at this stage in the year however are working towards achieving a balanced position by year end through the use of the Pothole Funding where possible. The anticipated overspend is due to additional pothole repair works to recover the network following the severe winter, as well as the revised contract arrangements with Amey during the last year of the contract. Although there are some anticipated underspends on capital works during the last year of the contract, additional revenue costs are anticipated with demobilisation of the Amey contract and pre-mobilisation of the new highways contractor. Some of these costs have been mitigated by the transfer of £0.500 million from the technical and corporate budgets due to positive experience on insurance claims handling within highways, reducing the forecast to the net reported position above. Included in this net figure is £0.218 million of Highways Locals revenue contributions identified to part fund a number of structural maintenance schemes all of which have been agreed with individual Councillors and have been transferred to Capital.
31. The Integrated Transport budget is reporting a £0.060 million overspend position due to long term bus contracts being awarded which include inflationary pressures above those estimated in the MTFS. Further pressure on transport budgets can be expected as more bus contracts expire this year. We are also closely monitoring the impact of fuel price inflation being higher than expected and the potential impact of legislative changes impacting community transport.
32. Registrar's are reporting an over recovery of £0.116 million of income based on current estimates.
33. Strategic Infrastructure are forecasting a £0.018 million overspend, due to an increased staff resource in Transport Planning required to manage the additional workload associated with emerging major transport schemes such as the west Cheltenham Cyber Business Park and M5 J10 and additional scanning costs due to the office move of the Heritage function.
34. The Fire and Rescue Service, Waste, Libraries, Trading Standards and Coroners have small variances totalling £0.004 million overspend at year end.

Business Support Services

35. The forecast outturn for Business Support Services is an overspend of £0.150 million.
36. The Business Support Services position includes the following recommendations:
 - £0.045 million contribution to the AMPS capital budget funded by a contribution from the AMPS Revenue Budget in respect of Sandford Park dilapidation.
37. Within Business Support Services, the Strategy & Challenge function is now forecasting a £0.150 million overspend. This position reflects the in-year pressures arising from continuing increasing demands arising from childcare legal proceedings, and the additional costs arising from the need to use locum staff to cover continuing vacancies. Strenuous efforts are being made to fill the posts in question, but they are proving difficult to fill in part due to the increasing national demand for childcare legal staff. Robust monitoring is in place. The costs of extraordinary legal child protection cases will be funded corporately.

Technical and Cross Cutting

38. The forecast outturn position for Technical and Corporate budgets is a £5.3 million underspend (11.9% of budget), the main reasons are:-
39. Positive interest rate credits on balances are forecasting to achieve an over recovery of income of £3.1 million above budget reflecting better diversification of investments and longer term deposits and additional income following the Bank of England base rate change.
40. The 2018/19 budget included an MtC2 savings contingency; this was approved by Council to reflect the high risk nature of some of the savings programmes in demand led areas in 2018/19. Given the difficulties in achieving savings across some services as outlined in this report the full £1.6 million contingency has been released to support the overall budget.
41. There has been a re-tendering of the insurance contracts, which has resulted in a favourable forecast underspend of £0.182 million on the corporate insurance budget.
42. In addition there is currently a favourable variance forecast underspend on a number of small corporate budgets totalling £0.418 million.

43. The Business Rate Retention pilot in 2018/19 was estimated to result in £4.6 million – this was built into 2018/19 Budget. A report to the Gloucestershire Economic Growth Joint Committee in September 2018 estimated that based on the NNDR1 returns from the district councils the potential pilot gain would be in the region of £14 million. This Council's share of the £14 million gain is £7 million which is £2.4 million in excess of the £4.6 million originally estimated. The final position will not be known until the end of April 2019 when outturn figures on business rates collected are available. It is proposed to transfer any surplus in addition to the originally estimated £4.6 million pilot gain to a Rates Retention Reserve. The MTFs report elsewhere on the agenda recommends that £2.23 million of this additional BRR Pilot gain should be used to fund one-off pressures within Children and Families in 2019/20.

B. Delivery of Meeting the Challenge 3 Savings Programme

44. At the end of Quarter 2 of the 2018/19 Meeting the Challenge 3 (MTC3) savings plan, we are reporting £10.281 million delivered against a 2018/19 target of £18.686 million. This represents 56.4% of the annual target now achieved, but is bolstered by the early delivery of savings from 'Technical and Corporate' budgets.
45. Including the £10.281 million already delivered, a total of £18.3 million is on track and forecast to be delivered by the end of the financial year, which would represent 97.9% achievement of the target. That leaves a small shortfall in recurring savings. Plans are in place to cover these by other one-off savings for 2018/19, and to deliver the recurring savings in future years.
46. Additionally, there are £3.305 million of outstanding savings yet to be achieved from Meeting The Challenge 2. £1.283 million is on track to be achieved within 18/19. The majority of the shortfall is on Public Health budgets, where there is sufficient provision in the ring-fenced grant carried forward from previous years to provide mitigation until the savings can be achieved. Plans are being developed to recover the remaining savings and an update will be brought in future reports.

MTC3 monitoring report - Q2 2018/19

Programme/Project	18/19 savings target	Achieved to date	Forecast 18/19 (incl achieved)	At Risk in 18/19	Notes
MTC2 rollovers		£,000	£,000	£,000	
Children & Families	150	0	0	150	Now expected to be delivered in 20/21.
Public Health	2,496	1,059	1,059	1,437	PH reserves are being used to offset the shortfall until the full savings are achieved in 19/20 & 20/21.
Education	93	0	93	0	
ICT	131	0	131	0	
Supporting People	435	0	0	435	Plans to achieve the shortfall are in development.
Total MTC2	3,305	1,059	1,283	2,022	
MTC3					
Education	350	60	290	60	£60k is forecast at risk in 18/19. A plan to cover the in-year position is in progress.
Adults Single Programme	11,561	4,212	11,561	0	
Public Health	641	641	641	0	
Supporting People	541	174	264	277	Delays in delivering savings can be covered in year by underspends elsewhere in the budget.
Parking	50	0	50	0	
Integrated Transport	50	0	50	0	
Libraries	50	50	50	0	
Waste	167	28	118	49	Plans are in place to mitigate the shortfall in year. The remaining saving is expected to be achieved in full in 19/20.
Infrastructure Planning	50	50	50	0	
Fire & Rescue Service	160	0	160	0	
Support services	396	396	396	0	
Commercial approach	250	250	250	0	
Strategy & Challenge	20	20	20	0	
Corporate & Technical	4,400	4,400	4,400	0	
Total MTC3	18,686	10,281	18,300	386	
Total MTC2 + MTC3	21,991	12,399	19,583	2,408	

C. Capital Expenditure

Current Spend 2018/19

47. The capital budget for 2018/19 is £97.988 million, a reduction of £5.743 million since last reported to Cabinet due to budget realignment for November target setting. Actual spend against the capital programme as at end of October 2018 is £46.716 million.

Budget and Capital Forecast Outturn Position 2018/19

48. The forecast outturn position for 2018/19 against budgets is £99.837 million, showing a forecast overspend of £1.849 million. It is anticipated that this overspend will be financed by part of the additional funding approval requested below.

CAPITAL EXPENDITURE 2018/19					
Service Area	Reprofiled Budget 2018/19	Current Year Spend 2018/19	% Current Year Spend against Reprofiled Budget	Forecast Outturn 2018/19	Forecast Year-end Variance
	£000	£000	%	£000	£000
Capital Receipts Works Before Sale	0	0		0	0
Adults	8,281	2,824	34	7,698	-583
Children & Families	23,671	14,481	61	24,114	443
Communities					
Highways	49,372	23,017	47	51,297	1,925
Strategic Infrastructure	1,984	1,463	74	2,003	19
Waste Disposal	625	158	25	625	0
Libraries	752	500	67	752	0
Fire & Rescue	1,027	140	14	1,027	0
Business Support					
AMPS	8,217	2,912	35	8,262	45
ICT projects	2,327	373	16	2,327	0
Business Service Centre	282	0	0	282	0
Archives & Information Management	1,155	669	58	1,155	0
Customer	294	178	60	294	0
Total	97,988	46,716	48	99,837	1,849

Adults Capital Programme

49. Adults schemes are forecast to spend £7.698 million in 2018/19, against a current budget of £8.281 million, forecasting a slippage of £0.583 million. This is due to slippage on the ERIC system replacement project.

Children and Families Capital Programme

50. Children and Families schemes are forecast to spend £24.114 million in 2018/19, against a current budget of £23.671 million, giving a forecast overspend of £0.443 million. It is anticipated that this overspend will be financed by part of the additional funding approval requested in the Children & Families Capital Programme 2018/19 update report presented to Cabinet elsewhere on this agenda.

Highways Capital Programme

51. Highways schemes are forecast to spend £51.297 million in 2018/19, against a current budget of £49.372 million, giving a forecast overspend of £1.925 million, the key areas include;
52. Structural maintenance schemes are forecasting to overspend in year by £1.213 million the majority of which relates to greater progress than expected on a number of projects. Additional funding is requested later in this report to cover the predicted in year overspend.
53. The Integrated Transport schemes are forecasting to overspend by £0.327 million in 2018/19 however the budget was deliberately set low to take account of a risk assessment of the ability to deliver projects due to external constraints. Funds are available in reserves to cover spending in the event that all of the forecast spend is achieved.
54. Large Integrated Transport Schemes including Growth Fund schemes are forecasting to overspend by £0.385 million which relates the new Cyber Park scheme awaiting approval for addition of LEP funds to the programme. If this approval is not forthcoming the scope of the project will be reduced or alternative funding found from Highways Capital grant.

Strategic Infrastructure Capital Programme

55. Strategic Infrastructure schemes are forecast to spend £2.003 million in 2018/19, against a current budget of £1.984 million, forecasting an overspend of £0.019 million. The forecast overspend relates to the Saturn Transport Modelling scheme and reflects the consultant's most recent cost estimate which is due in part to better than expected progress with this scheme. Funding will need to be identified from future year approved capital budgets.

AMPS Capital Programme

56. AMPS schemes are forecast to spend £8.262 million in 2018/19, against a current budget of £8.217 million, forecasting an overspend of £0.045 million. It is planned that this overspend will be funded by the revenue contribution requested below.

All other Capital Programmes

57. All other programmes are forecast to spend in line with the revised budget for the year.

Changes to the Capital Programme in 2018/19 and future years

Children and Families

58. Details of a proposed increase of £36.599 million to the Children and Families Capital Programme and a proposal to increase the capital budget accordingly are included in the Children & Families Capital Programme 2018/19 Update report presented to Cabinet elsewhere on this agenda.

Highways

59. It is proposed that Cabinet support an increase of £11.472 million in the Highways capital budget, funded by the following additional resources;
- £3.300 million of LEP Grant for the Cyber Park Highways scheme (separate report to December cabinet)
 - £0.218 million of Highways Locals revenue contributions identified to part fund a number of structural maintenance schemes all of which have been agreed with individual Councillors.
 - £0.184 million additional Salix grant funding towards the Street Lighting programme of works.
 - £0.096 million of developer and other contributions including £0.072 million from Herefordshire County towards the Lydbrook Bridge scheme.
 - Less £0.231 million developer contribution relating to the Kingsway Estate that has been returned due to not being able to meet the conditions stipulated within the S106 agreement.
 - £7.905 million DfT Local Highways Maintenance Funding – Budget 2018. In October 2018, the Chancellor announced in the Budget the Government was allocating a further £420 million of new money for local highways maintenance. This additional resource is being allocated using the highways maintenance funding formula and is for the repair of roads (including potholes), bridges and local highways infrastructure generally.

Asset Management and Property Services (AMPS)

60. It is proposed that Cabinet support an increase of £0.045 million in the Asset Management and Property Services capital budget, funded by the following revenue contribution;
- £0.045 million from Adults Premises budget to the Asset Management and Property Services programme relating to the Sandford Park House dilapidation costs.

Overall Change to Capital Programme

61. As a result of the above changes, the overall capital programme will increase by £48.116 million - £2.413 million of which is anticipated to be spent during the current financial year.